

PROMOTING KNOWLEDGE AND DEVELOPMENT IN
HUMAN SETTLEMENTS FINANCE SYSTEMS



UN-HABITAT

United Nations Human Settlements Programme



Housing is one of the most basic human needs. However, many low income developing countries are troubled by the high rate of urbanization. Between 2000 and 2030, the urban areas of the developing countries will absorb 95 percent of world's population growth. Excessive levels of urbanization in relation to economic growth and high levels of income inequality have resulted in large scale urban poverty and rapid expansion of unplanned urban settlements and slums, which are characterized by a lack of basic infrastructure and services, overcrowding and substandard housing conditions. Slums have serious adverse impacts on people and the society.

One important task to meet the human settlements challenges is to devise mechanisms and systems by which adequate and steady flow of long-term financial resources from both the public and private sectors could be mobilized and channeled into urban and human settlements development and particularly in low income housing development and slum upgrading.

The Habitat Agenda recognized that human settlements finance systems do not always respond adequately to the different needs of large segments of the population, particularly the vulnerable and disadvantaged groups living in poverty and low income people. It calls UN-HABITAT to assist member states to improve the effectiveness, efficiency and accessibility of the existing housing finance systems and to create and devise innovative housing finance mechanisms and instruments and to promote equal and affordable access to housing finance for all people. UN-HABITAT is committed to strengthen human settlements finance systems and mobilization of domestic resources for housing and urban development. It is mandated to promote effective housing finance systems, urban finance systems, and community-based and cooperative initiatives in mobilizing financial resources for the built environment, and to promote gender-balanced and urban-rural balanced development.



The Initiatives for Promoting Knowledge and Development in Human Settlements Finance Systems include the following clusters of activities:

- Housing Finance Systems
- Municipal Finance Systems
- Community-based Initiatives and Housing Cooperatives
- Human Settlements Finance Forum
- Human Settlements Financing Tools and Best Practices (technical reports and tools)
- Human Settlements Finance Systems (sector reviews)
- Human Settlements Finance and Policies (policy papers)
- Human Settlements Finance: Practices and Lessons from the Field (newsletter)

HOUSING FINANCE SYSTEMS

Housing finance plays a vital role in facilitating housing development. The Housing Finance Systems initiative undertakes system-wide reviews and analysis of housing finance mechanisms and policies by which an adequate and steady flow of long-term financial resources from both the public and private sectors could be mobilised and channelled into housing development, particularly into pro-poor housing development.

It assists member states to improve the effectiveness, efficiency, accessibility and sustainability of existing housing finance systems and to devise innovative housing finance mechanisms, instruments and strategies and to promote equitable and affordable access to housing finance for all people.



The main activities of the Housing Finance Systems initiative are:

1. Review and analysis of housing finance systems, mechanisms and policies;
2. Conducting studies on important housing finance issues such as market conditions and market infrastructure ; relationship of housing finance systems to the wider national economy and financial sector;
3. Government intervention and subsidies/incentives in housing finance systems;
4. Strategies and instruments for financial resources mobilization for housing development
5. Mechanisms and strategies for improving housing finance;
6. Mortgage finance and credit enhancements
7. Community-based finance institutions and instruments;
8. Links between formal housing finance and informal housing finance;
9. Advisory and technical assistance in capacity building, financial instruments, policy development and reforms.

MUNICIPAL FINANCE SYSTEMS

The lack of adequate basic urban services and infrastructure is a major challenge in human settlements development. With rapid urbanization, governments are increasingly having difficulties to meet the growing demand for housing and urban development.

The lack of revenues is one of the biggest problems facing most cities all over the world, which makes them one of the vulnerable layers of government, with increasing responsibilities and small share in the allocation of public resources.

The Municipal Finance Systems Initiative aims to promote shared responsibilities between governments, the private sector, non-government organizations (NGOs) and community-based organizations (CBOs) to explore innovative mechanisms and instruments to finance urban development, basic services and infrastructure. Particularly, it focuses on how to tap the private sector resources to provide urban services and infrastructure to the poor and how community-based organizations can participate effectively in urban development, infrastructure provision and management.

The main activities of the Municipal Finance Systems initiative are:

1. To explore options, mechanisms and strategies of improving municipal revenue;
2. To explore and design new policies, strategies and instruments of municipal management in order to improve effectiveness, efficiency and equity in municipal finance systems;
3. To explore and design institutional and regulatory frameworks which enable community-based organizations (CBOs), Non-government organizations (NGOs), individual households and the private sectors to contribute towards the financing of housing and urban development;
4. To undertake studies and evaluations on municipal finance systems and instruments;
5. To promote reforms and policy changes to adjust the inter-governmental fiscal relationship to balance the municipal responsibilities with adequate resources;
6. To promote innovative mechanisms and instruments to mobilize long-term capital into housing and urban development, particularly for the poor;
7. To provide advisory and technical services in developing municipal finance capacity and strengthening municipal finance systems.



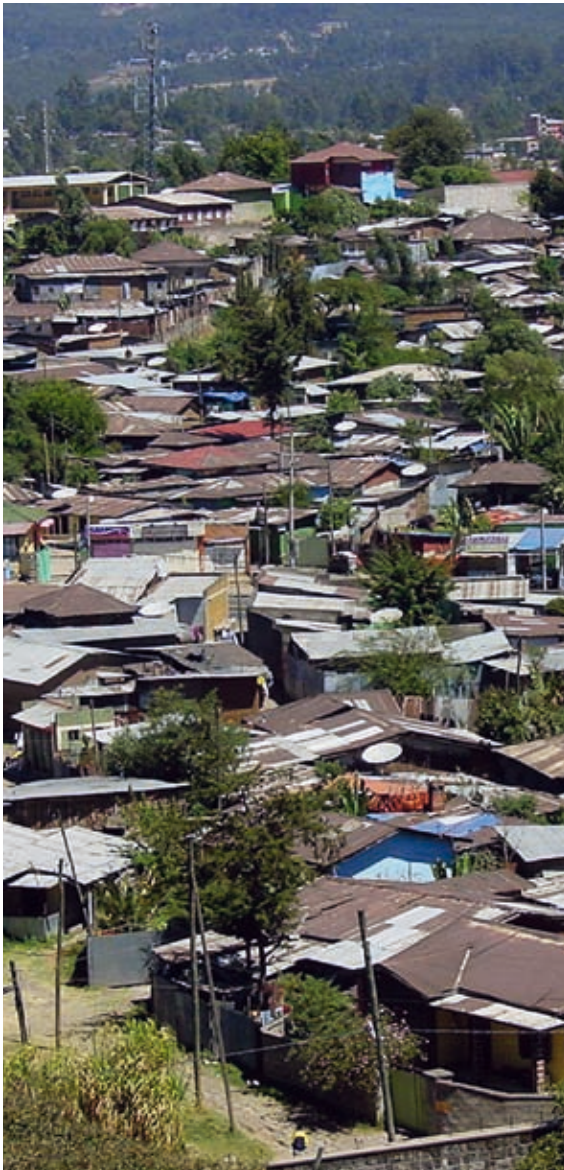
COMMUNITY-BASED AND COOPERATIVE INITIATIVES

“Shelter for All” can only be achieved if efforts are made at all levels and stages. Despite the overall growth of the world economy, the number of people living in in-human conditions is growing due to rapid urbanization, unbalanced development and distribution. Investing in housing, particularly that of the poor, is central to the achievement of the Millennium Development Goals.

It also requires us to mobilize all resources including the resources of the poor and to treat the poor as assets rather than burden. In support of this strategy, UN-HABITAT puts emphasis on community-based and cooperative initiatives such as Women Land Access Trusts and Housing Cooperatives, which are central to creating, developing and sustaining capacities of the poor and grassroots communities to meet their needs for housing and poverty reduction and urban services.

The main activities of the Community-based and Cooperative Initiative are:

1. to sensitize, promote and facilitate the development of Women Land Access Trusts and form a global network of community-based housing initiatives and land trusts;
2. to promote, design, and test new community-based initiatives which utilize the grassroots poor people and enhance their skills for improving human settlements and their livelihood opportunities;
3. to conduct studies on community-based initiatives and land trusts;
4. to explore community-based initiatives in pro-poor housing and urban development (including infrastructure);
5. to develop strategies, guidelines and frameworks for community-based initiatives (particularly finance initiatives) in pro-poor housing and urban development;
6. to assist communities and local authorities to develop capacity in community-based initiatives and cooperative housing and land trusts;
7. to promote women empowerment in development and finance.



HUMAN SETTLEMENTS FINANCE FORUM

As the new millennium moves forward, one trend overwhelms our concerns: the rapid urbanization with deepening poverty, environmental degradation and increasing slums, which poses tremendous challenges for achieving adequate shelter for all. The challenges we faced in human settlements cannot be met by governments, private sector or civil society alone. It requires the actions of all players in the society.

Human Settlements Finance Forum addresses the most important issues for improving human settlements finance. It combines the thought leadership of academics with practitioners from the governments, local authorities, private sectors and civil society to confront human settlements finance problems and to exchange views and experiences in tackling human settlements finance problems, to address challenges in human settlements, to advance the debate for human settlements finance, and to explore and promote innovations in finance systems and policies.

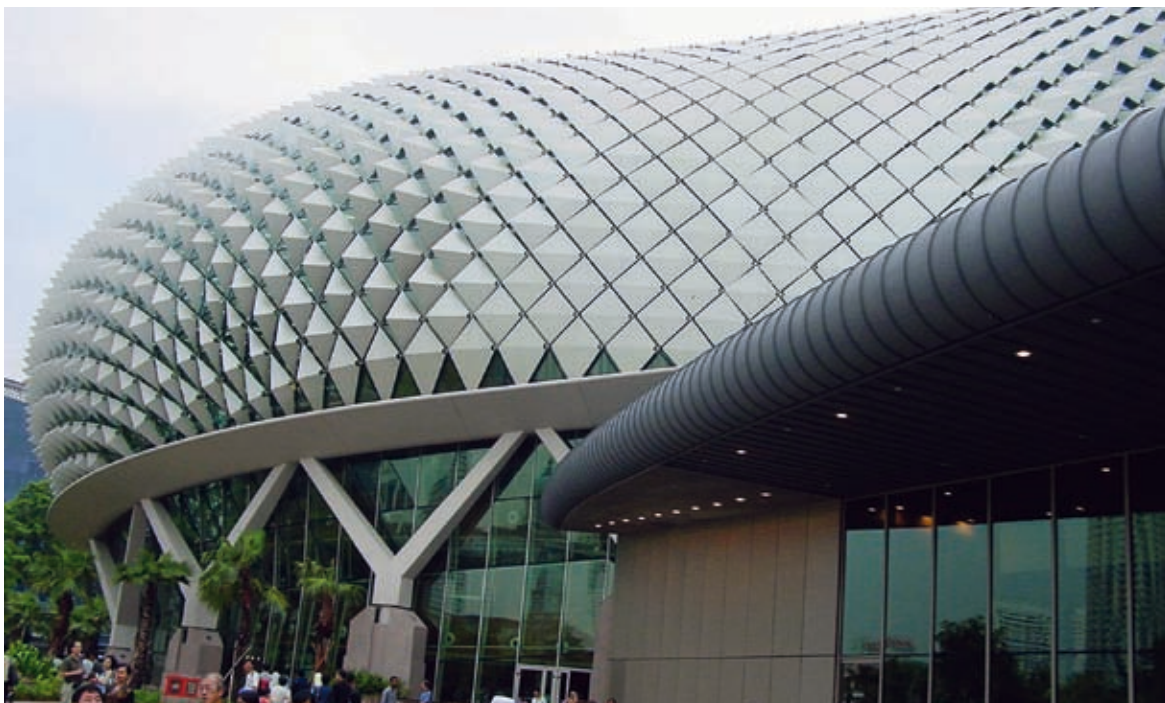
The Human Settlements Finance Forum is organised in cooperation with international and national organizations, Habitat Agenda partners as well as research and policy institutions. Thematic human settlements finance issues are explored in the Forum, while each Forum focuses on one theme.

HUMAN SETTLEMENTS FINANCING TOOLS AND BEST PRACTICES (TECHNICAL REPORTS AND TOOLS)

This initiative introduces various human settlements financing instruments and tools. It develops guidelines, handbooks, and tools for hands-on human settlements finance practices. It documents best practices and innovations in human settlements finance.

The emphasis is on mortgage finance, community-based financial instruments, credit enhancement, revolving fund, microfinance schemes, community-based financial intermediaries, municipal financial intermediaries, subsidy and incentives schemes, bridging finance, securitization, project finance instruments, municipal finance instruments, risk assessment and risk management, fund-raising instruments, special purpose vehicles, and mobilization of domestic and long-term resources.





HUMAN SETTLEMENTS FINANCE SYSTEMS (SECTOR REVIEWS)

The availability of adequate human settlements finance is the cornerstone of any effective and sustainable human settlements policies and strategies. Therefore, human settlements finance is a very important tool in the successful implementation of the Habitat Agenda. The long-term improvement of human settlements conditions requires a system-wise solution. With rapid urbanization and the global trend of marketisation of the housing sector, a need for an effective human settlements finance system becomes more evident. This initiative aims to evaluate and compare national

human settlements finance systems, and to explore the conditions, constraints and principles for an effective human settlements finance system and factors which lead to the variations in practices.

It looks at the relationships of human settlements finance and national economic development and other sectors. It promotes effective human settlements finance systems and explore the local-situatedness and adaptability of human settlements finance systems across countries.

HUMAN SETTLEMENTS FINANCE AND POLICIES (POLICY PAPERS)

Human settlements are places of organised human activities. The way in which human settlements are organised is influenced by the pace and breadth of socio-economic development. Such development cannot take place without linkages and continuous interactions between physical, institutional, economic and social structures. Human settlements are the product of deliberate planning or of spontaneous and uncontrolled economic and social activities. They are ultimately determined by policies and human actions.

The national resource allocation and finance strategies are evolving towards the identification of national development priorities and challenges. Therefore, a full understanding of human settlements finance needs to be looked upon in the national policy context, and links finance to policy debate. This approach is increasingly appreciated by policy-makers and planners when addressing human settlements finance problems and policy options. The Human Settlements Finance and Policies initiative aims to explore the intricacy of finance and policy interrelations and to promote better human settlements finance policy and strategies.

HUMAN SETTLEMENTS FINANCE: PRACTICES AND LESSONS FROM THE FIELD (NEWSLETTER)

This initiative aims to improve the practical understanding of the human settlements financing processes, instruments and challenges. It documents innovative human settlements financing cases to share practical techniques, methods, and lessons learned; and encourage exchanges of local experiences and innovative practices.



TAKING THE URBAN AND HABITAT AGENDA FORWARD

For information and support, contact:

Xing Quan Zhang, PhD
Chief, Urban Finance Section

UEFB/MRD, UN-HABITAT

P. O. Box 30030, GPO, Nairobi 00100, KENYA

Phone: (+254) 20 762 4659

Fax: (+254) 20 762 4736

Email: xing.zhang@unhabitat.org

www.unhabitat.org



UN-HABITAT